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SWP Comment

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New Connectivity in the Bay of Bengal

Opportunities and Perspectives of the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC)

Christian Wagner and Siddharth Tripathi

Owing to the increased commitment from India, the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) has experienced a revival since 2016. Firstly, India is hoping to be able to develop better the country's hard-to-reach northeast by intensifying regional cooperation. Secondly, given the Chinese Belt and Road Initiative (BRI) investments in neighbouring countries, it aims to reinforce its claim to leadership in the region. From an international perspective, BIMSTEC is an essential building block in India's Act East policy in the context of the renewed importance of the Indo-Pacific region. With the support of BIMSTEC, Germany and the European Union (EU) can deepen their strategic partnership with India whilst simultaneously increasing their visibility in the Bay of Bengal.

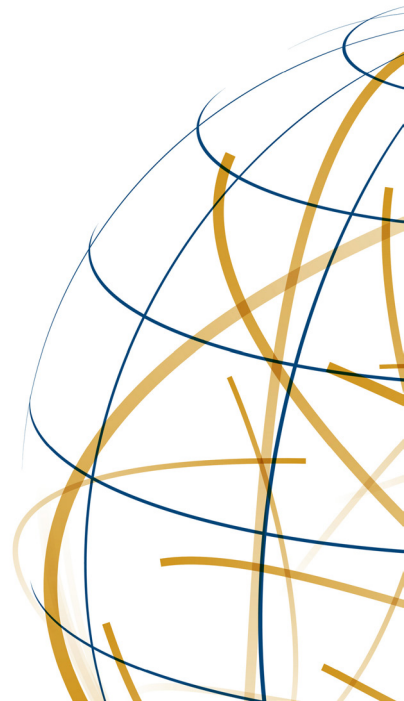
BIMSTEC was founded in 1997 as BIST-EC (Bangladesh, India, Sri Lanka and Thailand Economic Cooperation). After Myanmar joined later that year, it was renamed BIMSTEC. The entry of Nepal and Bhutan in 2004 required yet another change of name. The aim of the organisation was to promote economic cooperation between countries bordering the Bay of Bengal.

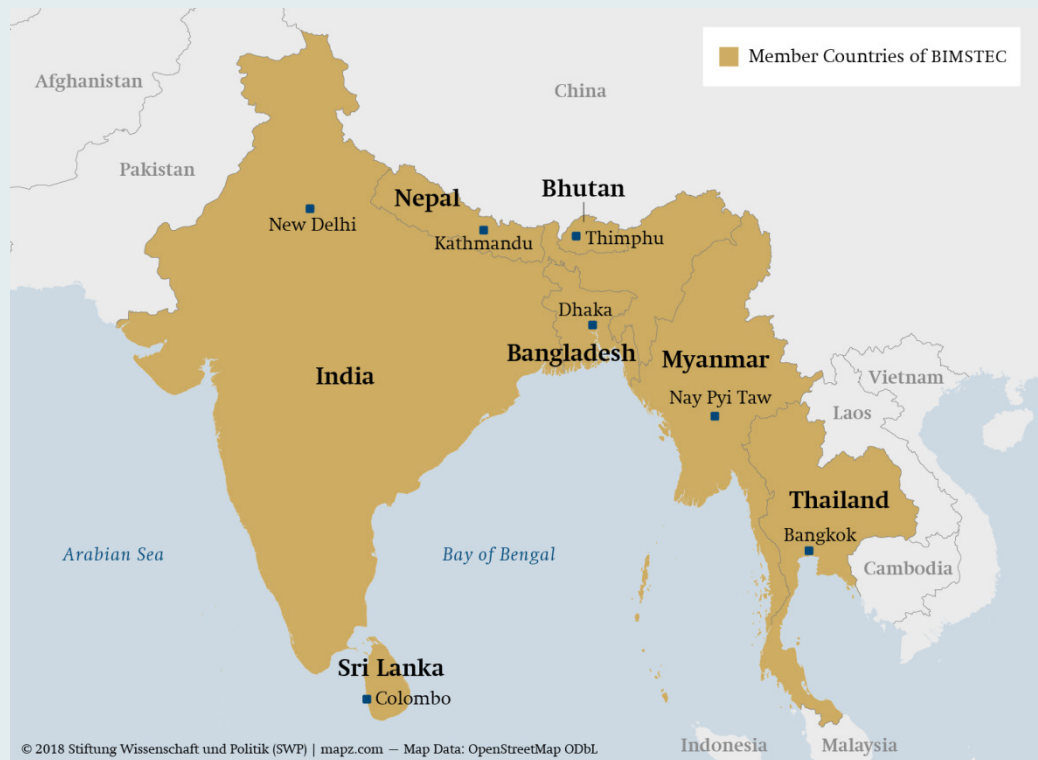
The member states of BIMSTEC have very different experiences with regional cooperation. Thailand and Myanmar are members of the Association of Southeast Asian Nations (ASEAN), considered a successful regional organisation. Intraregional trade among ASEAN member states currently accounts for approximately 29 percent of their total trade in goods. ASEAN has also established multilateral security institu-

tions, such as the ASEAN Regional Forum (ARF) and the East Asia Summit (EAS) in order to involve major external powers in the region.

Bangladesh, Bhutan, India and Nepal are members of the South Asian Association for Regional Cooperation (SAARC), which is considered a rather unsuccessful model of regional cooperation in Asia. Intraregional trade is at a mere seven percent. Indo-Pak conflicts have repeatedly hampered the organisation's development. As a result, there has been no appreciable regional cooperation in South Asia.

The seven member states of BIMSTEC have a total population of around 1.5 billion people. Although this represents 22 percent of the world's population, around 90 percent of them live in India. Their combined





gross domestic product (GDP) comes to a total of 2.7 trillion US dollars. The economic growth of BIMSTEC countries has been at 6.5 percent for the last five years.

The development of BIMSTEC was initially sluggish as its members received little political attention and the organisation had weak institutional structures. Initially, it was to hold a high-level meeting every two years. However, only four summits have taken place so far (Bangkok in 2004, New Delhi in 2008, Nay Pyi Taw in 2014 and Kathmandu in 2018). Member states have so far not been able to agree on a free trade agreement. Intraregional trade, therefore, stands at just under five percent. However, the foreign and trade ministers of participating states meet regularly to discuss co-operation projects. At the 2014 summit, they decided to set up a secretariat which started work in Dhaka that same year. The number of working groups has now increased from six to 14.

India's Initiative

The new attention BIMSTEC has received in recent years is largely due to an increased commitment from New Delhi. As recently as 2015, some voices in India were critical of BIMSTEC's prospects. Two developments may have been decisive for a reassessment of the organisation. Firstly, relations with Pakistan have continued to deteriorate. At the end of December 2015, Prime Minister Modi unexpectedly visited his Pakistani counterpart Nawaz Sharif, raising hopes of a renewed rapprochement. However, these hopes were dashed after a terrorist attack in the Indian city of Pathankot in January 2016. Secondly, during this period, the Chinese government began presenting various cooperation projects already underway, such as the Bangladesh-China-India-Myanmar Economic Corridor (BCIM), as part of its Belt and Road Initiative (BRI). Since India is one of the few countries in Asia to refuse to participate in the BRI, the government in New Delhi subsequently showed little interest in the BCIM project.

In mid-October 2016, the BRICS (Brazil, Russia, India, China, South Africa) summit took place in Goa, India. At India's behest, the BRICS meeting was combined with an outreach meeting with the heads of state of the BIMSTEC countries. The Indian government took this opportunity to present BIMSTEC as an alternative to the South Asian Association for Regional Cooperation (SAARC). In September 2016, following a terrorist attack on a military base in Indian Kashmir, the New Delhi government cancelled its participation in the upcoming SAARC summit in Pakistan. Other SAARC states such as Afghanistan, Bangladesh, Bhutan and Nepal supported India's decision. India also invited the Maldives and Afghanistan as observers to the BRICS BIMSTEC summit. These two countries are members of SAARC but not of BIMSTEC. In their final document, BIMSTEC's heads of state and government condemned terrorism and declared a willingness to cooperate more closely on security policy, a statement which, according to all observers, was clearly directed against Pakistan.

Since 2016, BIMSTEC has recorded a number of positive developments: in August of that year, the BIMSTEC Transport and Connectivity Working Group (BTCWG) was launched. In 2017, the Thai government submitted a draft for the BIMSTEC Master Plan for Connectivity. Member states are currently negotiating agreements to promote coastal shipping and road transport. An agreement on improving customs clearance has already been signed. There is a Memorandum of Understanding on expanding cross-border power grids. Finally, members agreed to strengthen security cooperation by, among other things, setting up regular meetings between interior ministers and security apparatus representatives. However, India's interest in closer security cooperation of this kind has already suffered initial setbacks. Nepal and Thailand, for example, only sent observers to India for BIMSTEC's first joint military manoeuvre in September 2018. Observers concluded that Nepal's refusal to take part was directly due to political

pressure being exerted on Kathmandu by Beijing. As a result, Nepal and Thailand subsequently conducted joint manoeuvres instead.

New interest in BIMSTEC

BIMSTEC allows India to combine important domestic, regional and international aspects of its foreign policy. Domestically, increased connectivity in northeastern India should also improve access to the region. Currently, the region can only be reached via an approximately 20-kilometre-wide corridor between Bangladesh and Nepal. China has laid claim to the area's northernmost state of Arunachal Pradesh for decades. At the same time, a number of militant groups in the northeast are fighting for greater autonomy and, in some cases, independence. The region has long been considered a land bridge for closer cooperation with Southeast Asia and ASEAN. Since the early 1990s, successive Indian governments have pursued a "Look East" policy which Prime Minister Modi upgraded to an "Act East" policy after 2014. In addition to the northeast itself, improved economic development, stimulated in conjunction with neighbouring states in the Bay of Bengal, would probably also benefit the approximately 300 million people living in the states on India's east coast.

Secondly, BIMSTEC also gives India the opportunity to counter China's growing influence in the region with its own connectivity projects. Traditionally, China has strong military and economic ties with Myanmar and, in recent years, has invested heavily in Bangladesh, Nepal and Sri Lanka as part of the BRI. BIMSTEC is more attractive to India than SAARC, for example, where the conflict with Pakistan has repeatedly blocked progress. In addition, Southeast Asia and ASEAN are more beneficial partners for India from a political and economic point of view than neighbouring countries in South Asia.

The organisation has also become more critical for other BIMSTEC members. In re-

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cent years, Sri Lanka's foreign policy discussions have focused less on South Asia and more on new initiatives, such as the Indian Ocean Rim Association (IORA) or BIMSTEC. The Himalayan states of Nepal and Bhutan see BIMSTEC as a welcome opportunity to diversify their trade routes. Bangladesh hopes the cooperation project will improve its relations with Southeast Asia, although bilateral issues such as the expulsion of the Rohingyas from Myanmar will not be discussed in this context. Thailand also has an interest in deepening its relations with South Asia and, among other things, is working with BIMSTEC to improve networking between the region's port cities.

BIMSTEC, Germany and the EU

The BIMSTEC cooperation has received a clear political impetus in recent years, even though specific results so far have been rather modest. Nevertheless, BIMSTEC is still important for German and European policies towards Asia because strengthening regional cooperation or connectivity has been one of their key concerns for many years.

Due to the clear predominance of Chinese investments, many regional cooperation projects are currently losing their attractiveness for members. The investments are increasing trade policy, financial and political dependency on China. The EU continues to promote regional cooperation in its connectivity strategy with Asia published in the autumn of 2018. It will focus on constructing transport, energy and digital networks. BIMSTEC is also prioritising these areas. In addition, Germany and India could deepen their strategic partnership through closer cooperation within the BIMSTEC framework. India is now willing to work with other countries on such projects, as the India and Japan Vision 2025 shows. BIMSTEC also wants to open up to cooperation with international organisa-

tions. Finally, Germany and the EU could increase their visibility in the Indo-Pacific region with the support of BIMSTEC.

As for other regional organisations, the challenge for BIMSTEC is to provide tangible financial and human resources, and not just make well-intentioned proposals. The secretariat has only had a rather small budget and little equipment and personnel, to date. Germany and Europe have a wealth of expertise in both areas. Given the above-mentioned negative implications that the BRI could have on regional cooperation projects, it should also be in the interests of German and European policy to support a revitalised organisation like BIMSTEC.

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